OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
20508

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FOR IMMEDIATE RELEASE
MARCH 31, 2000

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USTR RELEASES 2000 INVENTORY OF TRADE BARRIERS

The Office of the United States Trade Representative today released *The 2000 National Trade Estimate Report on Foreign Trade Barriers* (NTE) which surveys significant foreign trade barriers to U.S. exports.

"As we embark on the 21st century, we must continue to create economic opportunities not just at home, but in all markets of the world," said U.S. Trade Representative Charlene Barshefsky. "Our goal is the creation of an open and fair world economy, which will support higher-wage jobs in the United States and enhance prosperity for American workers, farmers and businesses."

The NTE report is a comprehensive list of unfair trade practices and barriers to American exports of goods, services and farm products. It covers 55 major trading partners in each region of the world, and profiles policies restricting exports of goods and services, as well as deficiencies in intellectual property protection, investment barriers and similar impediments to U.S. exports. The NTE also outlines progress made by our trading partners and notes many examples where countries have reduced or eliminated trade barriers described in earlier NTE reports.

The USTR prepares the NTE Report in close consultation with other U.S. Government agencies based on the Administration's monitoring program and information provided from the public, private sector trade advisory committees, and U.S. embassies abroad. This year, as in the past, the USTR solicited public comments and received 58 submissions from a wide array of interested parties, including the National Potato Council, the U.S. Council for International Business, and Defenders of Wildlife & the Community Nutrition Institute. U.S. Embassies also participate actively in the preparation of the report, and provided critical input based on the on-the-ground experiences of U.S. exporters abroad.

This report is a source of information for Americans interested in trade issues and plays a significant role in President Clinton's trade policy. Using the NTE as a foundation, the U.S. Trade Representative's office identifies barriers to exports, seeks to reduce or eliminate them through negotiation, and diligently monitors and enforces these agreements.

Since 1993, the USTR has negotiated nearly 300 trade agreements. These agreements are designed

to create growth and job opportunities in the United States and support worldwide economic growth and prosperity by reducing and ultimately eliminating trade barriers and unfair trade practices. In the same period, the USTR has taken enforcement action on more than 100 occasions, including filing 49 complaints at the WTO since its creation in 1995.

"Vigorous monitoring and enforcement of trade agreements is a top priority of this Administration," continued Ambassador Barshefsky. "Full implementation is critical to securing the full benefits of trade agreements for the United States, and to maintaining public confidence in an open trading system. The NTE is an essential part of the Administration's ongoing efforts to steer our trade partners toward more open markets and broader compliance with a rules-based trading system."

Highlights of the 2000 NTE Report:

Canada: The United States has its largest and most vibrant trading relationship with Canada. The U.S.-Canada border was opened significantly by the U.S.-Canada Free Trade Agreement and the North American Free Trade Agreement, with the result that more than a billion dollars a day in trade occurs between the two countries. U.S. exports to Canada have risen by 55 percent since NAFTA was enacted in 1993, with an increase of 6.3 percent in 1999 . However, certain non-tariff barriers of concern still exist at both the federal and provincial levels that impede access to the Canadian market for U.S. goods and services. For example, Canada continues to restrict imports of certain "supply managed" agricultural products such as dairy products, poultry and eggs, and the Canadian Wheat Board continues to enjoy government- sanctioned monopoly status as well as other privileges that restrict competition. In addition, certain access barriers with respect to non-agricultural goods, intellectual property rights and services persist in Canada. Thus, the USTR will continue efforts to remove such barriers; to ensure that the Canadian trade and economic regime is fair – particularly in agriculture and lumber – and to respond quickly when new problems arise.

China: In November 1999, the Administration concluded an unprecedented bilateral agreement with China on the terms of its accession to the WTO. This agreement contains comprehensive, one-way concessions on the part of China. In combination with the WTO obligations China will assume upon accession, the agreement addresses effectively the longstanding barriers to trade in goods, services, and agriculture that now hamper U.S. trade with China and that have been identified in this and past NTE reports. The agreement addresses, for example: market access barriers with respect to goods, services, and agriculture; high tariffs; sanitary and phytosanitary barriers, and restrictive licensing, investment, and distribution practices. The commitments China will undertake will provide access for industrial and agricultural products and the full range of services trade, including telecommunication, insurance, banking and legal services. China will also eliminate virtually all restrictions on trading and distribution rights, which have been persistent barriers to meaningful access. As part of a bilateral agricultural agreement reached last year, China has lifted bans on imports of U.S. citrus, meat and poultry, and wheat and other grains from the Pacific Northwest that have been identified as longstanding barriers to trade. This has resulted in the first shipments of wheat and citrus to China in nearly 20 years.

European Union: While the vast majority of more than $ 1 trillion in annual two-way trade and investment with Europe flows unencumbered, a number of high-profile, sensitive trade issues remain unresolved. The European Union's (EU) continued failure to implement a WTO-consistent banana regime and its failure to comply with the WTO rulings on beef treated with growth hormones not only have adversely affected U.S. exports, but have undermined the credibility of the WTO dispute settlement system. Other trade problems stem from EU regulatory procedures, which often lack adequate transparency, proper scientific justification, and serve as protectionist measures. For example, the EU approval process for modern biotechnology products appears to be unnecessarily lengthy and arbitrary, thereby halting hundreds of millions of dollars of U.S. agricultural exports. Likewise, the EU's design-restrictive regulation on aircraft equipped with "hushkits" aircraft is unfairly impeding U.S. sales. Substantial subsidies and promises of future subsidies provided to various EU industries, most notably to Airbus, also raise serious trade policy concerns.

Japan: Opening Japan's markets to U.S. goods and services, and encouraging comprehensive deregulation and reform of Japan's financial sector continues to be a top priority of the Clinton Administration. Since 1993, the United States has concluded 38 trade agreements with Japan – including three in 1999 – covering a wide variety of sectors from autos and auto parts, insurance, civil aviation and harbor practices, to agricultural products, entertainment and high technology. Efforts in this regard have helped to boost exports to Japan by 20 percent. The Japanese economy, however, remains burdened by excessive and costly regulations that impede market access for U.S. goods and services, prevent competition from cultivating market-based efficiencies, raise prices for Japanese consumers, and restrain economic growth in Japan. As just one example, the high interconnection rates charged by dominant telecommunications provider, Nippon Telegraph and Telephone, block competition and impede growth in this and other vital high-technology sectors. Under the Enhanced Initiative on Deregulation and Competition Policy, the United States continues to urge Japan to implement additional concrete deregulation in such areas as telecommunications, medical devices and pharmaceuticals, housing, financial services, and energy, as well as in the cross-cutting structural areas of competition policy, distribution, and transparency. The United States also remains focused on aggressively monitoring and enforcing our existing bilateral agreements, including insurance, autos and auto parts, and government procurement, in order to ensure that barriers in these sectors are eliminated. Further, the United States continues to rely on the WTO, including its dispute settlement mechanism, to open Japan's market. Most recently, the WTO Appellate Body in February 1999 upheld a dispute panel ruling that found in favor of the United States in a case against Japan's unfairly burdensome and non-transparent requirements on varietal testing of fruit exported to Japan.

Korea: Korea is one of the United States' major trading partners but continues to be known as one of the toughest markets in the world for doing business. While President Kim Dae Jung has committed to a more open, market-oriented economic policy – and Korea has implemented some reforms, such as in the financial sector – many of its structural reforms have yet to be implemented. As the Korean economy recovered from the financial crisis in 1999, some complacency has set in on the need for continuing economic reform. This is of serious concern to the U.S. Government as are the many issues that have arisen with respect to Korea's international obligations. In 1999, the U.S. Government brought a WTO dispute settlement action against Korea's beef import and distribution regime and expressed concerns about Korean policy on other agricultural products, including citrus, rice and potato preparations. Of concern is also the lack of a substantial increase in market access for foreign motor vehicles, or a meaningful restructuring in the Korean motor vehicle sector, required by the agreement that settled the 1998 Korea autos Section 301 investigation. Discriminatory treatment of foreign, research-based pharmaceuticals remains a problem. On intellectual property, the United States has cited as problematic Korean policies on copyright, clinical data, and patent protection. Finally, the USTR has long-standing concerns about the Korean Government's involvement in, and support for, the Korean steel industry. The United States and Korea continue to engage in a comprehensive dialogue on U.S. steel concerns, pursuant to the President's Steel Action Plan.

Mexico: Mexico has surpassed Japan to become the United States' second largest single country trading partner and has been the fastest growing major U.S. export market over the last six years. Since the NAFTA was enacted on January 1, 1994, U.S. exports to Mexico have increased by 109 percent, larger growth than to any other major single-country market. Mexico continues to reduce tariffs and remove restrictions as NAFTA commitments are phased in. Nonetheless, the United States remains concerned about continuing barriers to U.S. exports, notably for agricultural goods such as beef, live hogs, and dry beans, as well as sanitary and phytosanitary standards which restricts U.S. sales. The United States also expects Mexico to promptly comply with a recent WTO Panel Report concerning High Fructose Corn Syrup. The USTR is also seriously concerned with the telecommunications regulatory environment in Mexico. Telmex, the former telecommunications monopoly, is denying use of certain essential facilities to its competitors, which the government has failed to address, and is in other ways inhibiting the creation of a competitive telecommunications market. This situation is the subject of a review being conducted under Section 1377 of the Omnibus Trade and Competitiveness Act of 1988.

Sub-Saharan Africa: Reports for eight sub-Saharan African countries demonstrate that progress is being made on the continent as countries implement market liberalization measures and economic and political reforms. A number of countries, including Nigeria and South Africa, are in the process of lowering levels of state intervention and control, choosing instead to pursue policies that strengthen the private sector and stimulate competition. Most of the sub-Saharan African countries reviewed have lowered barriers to investment and are actively promoting foreign investment. A number of sub-Saharan African countries have significantly lowered tariffs. However, tariffs remain relatively high and, in a number of countries and sectors, continue to impede U.S. exports. Poor enforcement of intellectual property rights, inefficient and unpredictable customs regimes, and corruption, continue to hamper U.S. exporters in most of the countries reviewed.

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Note: An electronic copy of the NTE Report will be available on USTR's Website at www.ustr.gov under "reports." Bound copies of the report will be available from USTR on Wednesday, April 5, 2000.